IN THE HIGH COURT OF JUDICATURE AT BOMBAY
CIVIL APPELLATE JURISDICTION

Writ Petition No. 5426 of 2004

1. Laxminarayan Nagari Sahakari
Pat Sanstha and ors. ..Petitioners

vs.

1. State of Maharashtra & Ors. ..Respondents

Shri S.S.Patwardhan for petitioners.
Shri V.P.Malvankar, A.G.P. for respondents.

CORAM: A.P.SHAH
S.U.KAMDAR JJ.
7th Setember, 2004

P.C.

1. Heard Advocates.

2. The petitioners are Pat Santhas (Credit Societies) registered under the Maharashtra Cooperative Societies Act, 1960. The petitioners societies are mainly engaged in the business of receiving deposits and advancing loans. By this petition, the petitioners seek to challenge the directive issued by the State of Maharashtra in public interest under sec.79A of the said Act. By this directive the State Govt. has directed the Credit Societies to adopt the model byelaws framed by the State Govt. The petitioners contend that their byelaws provide no ceiling on the rate of interest on the loans advanced and deposits received. The Sangli District Cooperative Bank

charges interest at the rate of 16% p.a. to the petitioners. The petitioners in turn advance loans to its members at the rate of 19% to 21% only to be economically viable. Similarly the petitioners have accepted various deposits and have agreed to pay interest in excess of 13% to almost all the depositors. The model byelaws, however, require the petitioners not to charge interest in excess of 16% p.a. on the advances and not to pay interest in excess of 13% in case of deposits from its members. The byelaws are thus totally prejudicial to the interest of the credit societies.

3. On behalf of the respondents a counter affidavit has been filed by the District Deputy Registrar, Sangli. He has explained in his affidavit that main reason for preparing the model byelaws is to safeguard the interest of the public and depositors and proper economic growth of credit movement in the State Govt. While preparing the model byelaws the State Govt. had taken assistance from the experts in the field of finance, chartered accountants, representatives of Urban Cooperative societies and draft byelaws were also circulated to all Credit Societies and meetings of Credit Societies were held in each district for calling their objections and giving suggestions. After considering the objections and suggestions raised

by various societies, a team headed by the Commissioner for Cooperation and Registrar has finalised the new model byelaws for the credit societies in the Maharashtra State. According to the respondents, the main object of the byelaws is to bring uniformity in the working of the Pat Sansthas. In this regard it is submitted that Pat Sansthas are accepting deposits at the rate of 14 to 15 per cent whereas the Nationalised Banks are accepting deposits at 4 to 6 percent and Urban Cooperative Banks are accepting deposits at the rate of 7 to 9 percent . Due to high rate of interest on deposits Pat Santhas are disbursing loans at the higher rates i.e. 19% to 20% Consequently, the loans disbursed by the Pat Santhas are not recovered and number of Past Sansthas have become sick. Therefore, in order to safeguard the interest of the depositors the interest rates have been regularised.

3. At the out set Shri Malvankar, learned A.G.P. has stated that none of the petitioners have taken loan from the District Central Cooperative Bank and, therefore, the question of District Central Bank charging higher rate of interest does not arise in the present case. The learned A.G.P. further pointed out that in view of the revised policy of the State Govt. even the District

Central Cooperative Banks have slashed the rates of interest. As regards the grievance of the petitioners that they have accepted deposits at higher rates for a period of five years, it is clarified that the model byelaws have prospective operation and, therefore, Pat Sansthas are not required to recover the excess interest which has been already paid to the depositors or to revise the interest which has been already recovered at the higher rate from the borrowers. Therefore, the contention that the model byelaws are prejudicial to the interest of the society is without any merit. In our opinion, considering the present trend of interest rates the State Govt. is fully justified in regulating the rate of interest charged by the Pat Sansthas. It appears that the large number of Credit Societies are turning sick on account of non recovery of loans from farmers as a result the Pat Sansthas are also unable to pay back their dues to the District Central Banks. The Circular gives an option to the depositors either to take back all deposits at the rate as mentioned in the deposit receipt or continue the deposit at the revised rate of interest. We are satisfied that directives are issued in the public interest and they are not prejudicial to the Pat Sansthas Petition is accordingly disposed of.

4. Shri Patwardhan, prays for extension of ad-interim reliefs. Application is rejected.